



Distributing USFs to CETCs

Annual Certifications: Reconfirms Public Interest Benefits of CETC Designations

- Majority of states have adopted in whole or in part the FCC rules governing annual certifications
 - Many states have adopted 2-year plans instead of 5-year build out plans
- Build-out plans demonstrate how USFs are be used to “preserve and advance” universal service
 - See attached certification for Alltel in Minnesota
 - Compare to the attached ILEC certifications in MN and NE (See Attachment E)
 - CETC certifications demonstrate how USFs are being properly used to serve rural areas



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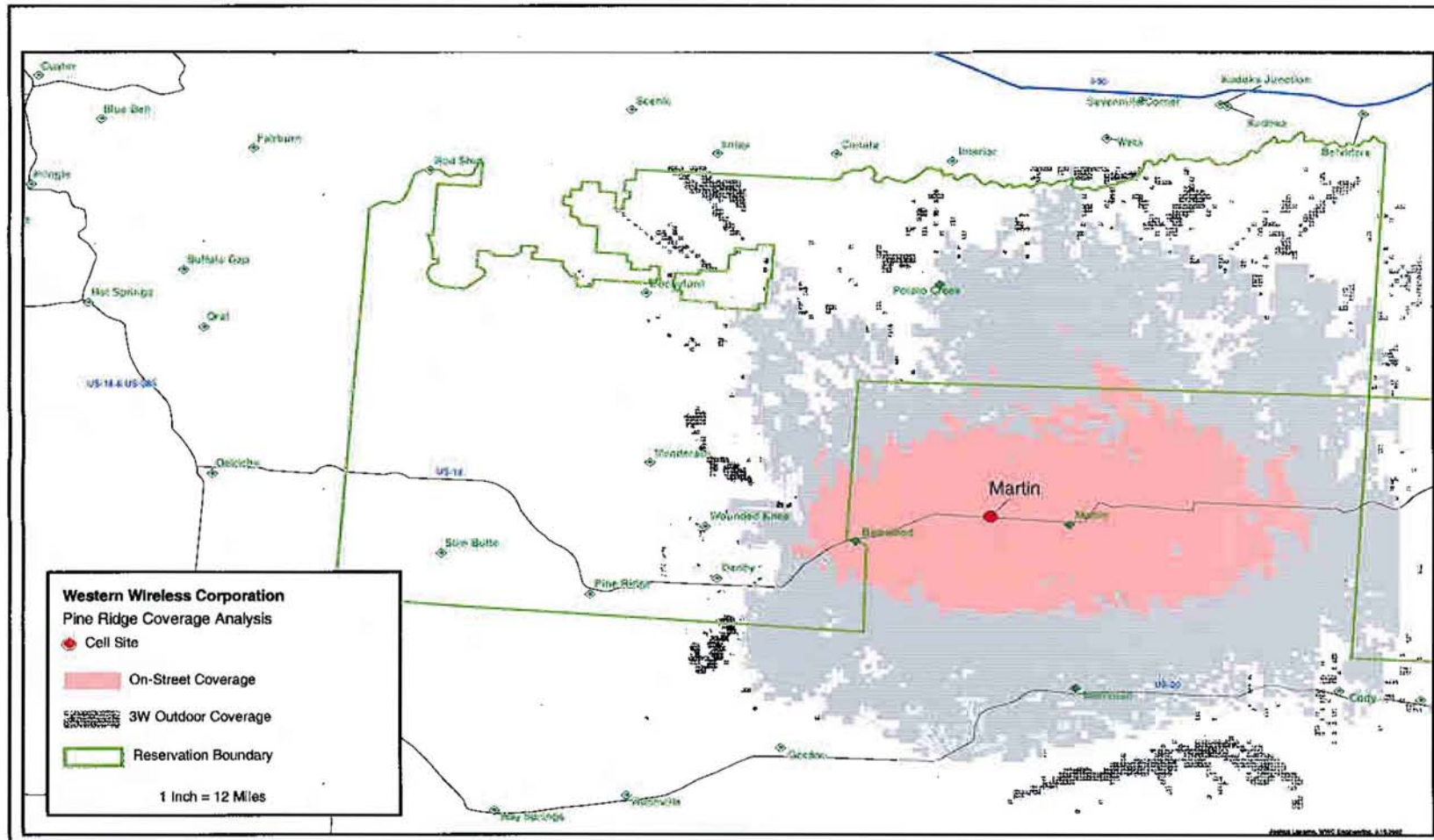
USFs are critical for the build-out of wireless networks in rural areas
(*some examples*):

- In South Dakota, Alltel constructed more than 3 times the number of cell sites in 2004 (in addition to enhancements/upgrades of existing sites) compared to previous years due to universal service support and is continuing with an aggressive build-out.
- In Montana, Alltel is constructing more than 2 times the number of cell sites in 2006 (in addition to enhancements/upgrades of existing sites) compared to previous years due to universal service support and will accelerate the build-out upon receiving ETC designation in rural areas.
- In Kansas, Alltel is building an unprecedented number of cell sites in rural areas due to universal service support.
- In Nebraska, Alltel committed to constructing more than 30 cell sites in rural areas as part of its ETC designation in 2006.



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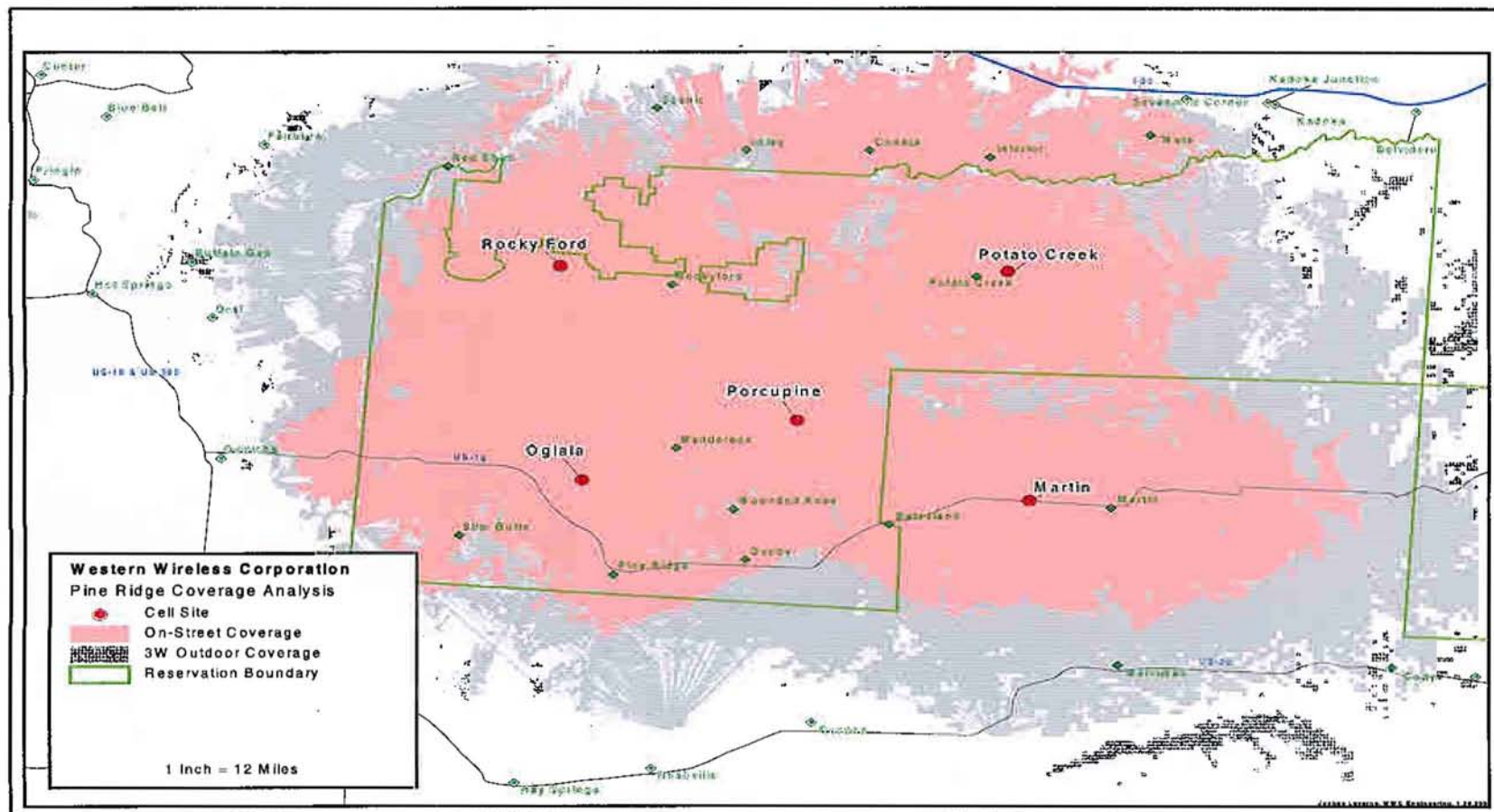
Pine Ridge Indian Reservation Coverage Pre-ETC Designation





Distributing USFs to CETCs

Pine Ridge Indian Reservation Coverage Post-ETC Designation





Distributing USFs to CETCs

Why is USFs so critical to rural wireless buildout?

- Rural areas cover a lot of geography with low population density and high-cost of service.
- For example, interconnection rates in urban areas are significantly less than in rural areas:
 - In SD, the recip comp rate in Qwest area is .07 cents per MOU and the intrastate access rate is approximately 1.6 cents per MOU compared to a recip comp rate of 2 cents per MOU and an intrastate access rate of 14 cents per MOU in some rural areas.
 - The impact on cost of service is significant: if a wireless carrier terminates 400 MOUs to customers served by rural telcos in SD, then the interconnection cost of service alone would be \$12 per month (e.g., 400 MOUs times an average 3 cent termination rate per MOU), compared to an interconnection cost of service of \$1 per month (e.g., 400 MOUs times an approximate .25 cent termination rate per MOU) to terminate 400 MOUs to customers in urban areas served by Qwest.

❖ ***A cost differential of 12 times in rural areas.***



Conclusion

- USF growth since 1999 is not primarily due to CETCs.
- Wireless carriers now contribute more than any other group to the USF.
- Wireless carriers contribute 4 times more in USF support than they receive.
- Wireless carriers are using USF support to benefit rural consumers and communities, consistent with the goals of universal service as envisioned by Congress, the FCC and the state commissions.
- The USF support received by wireless carriers based upon the per line support received by the ILECs should be maintained as part of universal service reform.
- Efficiencies in the universal service system can be realized through forward-looking costs utilizing the most efficient technology and/or other reform to the current funding mechanisms.



Exhibit A: USF Support Comparison

Nebraska and South Dakota Case Studies

USF Support Mechanisms	SD ILECs	NE ILECs	CETCs
Federal USF Support	\$56,154,616 per year	\$54,518,784 per year	SD: \$28,939,628 per year NE: \$28,939,628 per year
State USF Support	None	\$75M	None
Access Charges	14.47 cents per MOU	1.5 cents to 4.5 cents per MOU	None